

EXECUTIVE DECISION

made by a Cabinet Member



REPORT OF ACTION TAKEN UNDER DELEGATED AUTHORITY BY AN INDIVIDUAL CABINET MEMBER

Executive Decision Reference Number – L41 14/15

Decision	
1	Title of decision: Fleet Replacement Programme 2015-2017
2	Decision maker (Cabinet Member): Councillor Evans, Leader of Plymouth City Council
3	Report author and contact details: Garry Stainer, Fleet and Garage Manager, Street Services Garry.Stainer@plymouth.gov.uk tel: 01752 304682
4	Decision to be taken: To approve the business case for the Fleet Replacement Programme 2015-2017 To allocate the funding required (£4,229,500) to the capital programme in the form of a loan of unsupported borrowing to be repaid by the front line service over the life of the asset.
5	Reasons for decision: A holistic replacement plan is required for the most appropriate and cost effective solution to drastically reducing maintenance costs, and to increase the reliability of the Council's fleet of vehicles. The objectives of the project are: <ul style="list-style-type: none">• To replace the fleet of vehicles that the Council operates over a 5 year period, from the point of approval for the fleet replacement business case• To amend procurement policies and challenges within departments to ensure long-term viability and sustainability of vehicles, including the most value-for-money option, is always considered• To significantly reduce the maintenance costs of the Council's fleet of vehicles by introducing newer, more reliable and efficient vehicles into the fleet The financial benefits are: <ul style="list-style-type: none">• Improved value for money• More challenge and control in procurement providing a 'fit for purpose' fleet, meeting service requirements• Reduction in short term hire costs

- Significant reduction in maintenance costs
- Reduction in fuel costs, as vehicles are more efficient
- Realignment and forecast of spend for better budget control / risk control

The non-financial benefits are:

- A much more efficient, reliable and fit-for-purpose fleet of vehicles
- Safer fleet of vehicles, which are less likely to fail and cause disruption to Council services
- Greater public image of the Council and its services through the introduction of newer, more environmentally friendly and safer vehicles
- Significant decrease in the environmental impact of the Council's vehicles, as a newer fleet will be much more fuel efficient and will require less maintenance

The main critical success factor is efficient vehicle utilisation and procurement, which can be measured by the total overhead costs, fleet downtime, maintenance turnaround times, vehicle utilisation (including numbers, mileage) and how successful the procurement process is within the Council.

If the Council doesn't undertake the recommended approach within this business case, then the Council-owned vehicular assets will continue to be a risk to the service, the maintenance of these ageing vehicles will cause increased stress on services and they will develop into liabilities.

The approach is needed now because the fleet of vehicles is currently costing an excessive amount of resources to be maintained, which amounts to an estimated 965k over the life of vehicles which could be invested elsewhere in the Council. The sooner the fleet replacement programme is approved and undertaken, the sooner inefficiencies and replacement costs, as well as risks to Council services, can be significantly reduced.

6 Alternative options considered and rejected:

- **Do Nothing / Continue As Normal**

Key Benefits:

No requirement to undertake a £5.5m plan

Key Risks:

Opportunities for significant financial, environmental and non-financial benefits are not exploited

Services continue to run vehicles that are at risk to failure

Vehicles continue to be maintained at significantly high operating costs

Continuation of limited controls on fleet procurement, incurring additional costs

Increasing pressure on the Fleet and Garage service to maintain an unreliable and ageing fleet

- **Annual Capital Request**

Key Benefits:

Reviewing on an annual basis that can be planned around financial years through formal requests. requirement to undertake a £5.5m plan

Key Risks:

This option doesn't present complete surety or consistency with regards to procurement and forecasting

Financial implications:

A cost benefit analysis of replacing the dilapidated and expensive vehicles in 2015/16 has been provided as appendix no 3 to this business case. This set out the anticipated net cost avoidance over the life of the assets has an Net Present Value of £0.965m.

Cash costs are shown below:

	£'000s
Costs	4,843
Benefits	(5,935)
Net Benefit	(1,091)

The costs avoided are the increasing cost of repairing older vehicles, per a Price Waterhouse Cooper report the cost increases by 7% per annum. There are also 17 vehicles currently on lease that will be replaced, making significant savings.

In addition, it is expected that service efficiencies can be gained through the use of more suitable, modern and reliable vehicles, resulting in further budget savings or cost avoidance and improved service delivery.

The replacement of dilapidated and expensive vehicles has a total estimated capital cost of £4.229m. These costs will be funded from unsupported borrowing, to be taken over the life of the asset. Whilst the related borrowing costs create an initial pressure on the revenue accounts this is significantly lower than revenue costs that will be incurred if these proposals do not go ahead. These capital repayment costs have been factored into the budget for 15/16.

In 2013 an independent financial consultant named Sector reported on the cost of borrowing versus leasing and identified it was cheaper to buy, this has been reviewed and it is still cheaper to borrow than take out operating or purchasing leases. It also allows Plymouth City Council to have greater flexibility over the assets use and life.

The capital will be repaid over the life of the asset/loan via budget holder's revenue, with the implementation of category management; each vehicle will come with a monthly charge that covers the capital repayment, servicing and fleet and garage overheads. This charge is within the overall budget for PCC for vehicles and plant.

8	Is the decision a Key Decision?	Yes	No	
	(Contact Nicola Kirby, Democratic Support, 4867 for further advice)		x	Results in the Council spending or raising annual income by more than £500,000 (or more than £2,000,000 if that is the total cost of a contract award)?
				Results in the Council saving more than £1,000,000?
				Results in the Council saving less than £1,000,000 and the saving will have a material impact upon service provision such as a significant change or a cessation of service delivery and associated staff redundancies or a significant impact on customers?

				Has a significant impact on communities living or working in two or more wards?
If yes, date of publication of the notice in the Forward Plan				
9	Please specify how this decision is linked to the Council's corporate plan 2013/14 to 2016/17 and/or the policy framework and/or the revenue/capital budget:	<p>This project will support a 'Pioneering Plymouth' by ensuring that the best value for money approach is taken when considering fleet procurement and maintenance, allowing for the more efficient and considerate utilisation of financial resources. Where financial opportunities can be realised, that won't affect the delivery of services (in terms of quality and professionalism), the project will pursue to realise all benefits that can contribute towards achieving an effective, effective and sustainable Council.</p> <p>This project will support a 'Growing Plymouth' by ensuring that the money and efficiencies that can be saved are sourced and secured. The financial benefits generated will allow for the Council to further invest in greater living and learning opportunities. The project will ensure that the Council is able to continue to deliver its services to a high standard, and plan for the future, where growth is considered. From an external point of view, Plymouth City Council will be regarded as an efficient and effective governing body, attracting further external investment.</p> <p>This project will support a 'Caring Plymouth' by ensuring that all citizens are the first point of consideration for any changes. The project will ensure that financial opportunities are realised, allowing for the safeguarding of services and ensuring all citizens continue to be supported and treated fairly. The supporting of this project will allow for a much more reliable and effective fleet of vehicles, including refuse collection and minibuses used for school's transport, and will reduce an ageing fleet's carbon footprint, proving a cleaner and safer city for the residents of Plymouth.</p> <p>This project will support a 'Confident Plymouth' by contributing to the increase in efficiencies of all departments within the Council, by ensuring all areas for improvement are considered, and benefits are realised. This will allow external parties to consider Plymouth as an efficient, cost-effective and reliable city, which in turn is likely to have a positive effect on investment within the city.</p>		
Urgent decisions				
10	Is the decision urgent and to be implemented immediately in the interests of the Council or the public?	Yes		(If yes, the Lead Scrutiny Officer must be consulted before approaching the Chair of the Cooperative Scrutiny Board. Ensure that the Chair signs the report at section I Ia and that section

				I 1b is completed <u>after</u> the sign off codes in Section 17 are completed)
		No	x	(If no, go to section 12)
I 1a	Signature			Date
	Print Name			
I 1b	Reason for urgency:			

Consultation

12	Are any other Cabinet members affected by the decision?	Yes	x	(If yes, go to sections 13 and 14)
		No		(If no, go to section 15)
13	Which other Cabinet member is affected by the decision?	Councillor Vincent, Cabinet Member for Environment –Councillor Coker, Cabinet Member for Transport		
14	Please confirm that you have consulted this Cabinet member	Yes		(No is not an option)
15	Has any Cabinet member declared a conflict of interest?	Yes		Need a note of dispensation granted by the Council’s Monitoring Officer
		No	x	
16	Which Corporate Management Team member has been consulted?	Name and title	Anthony Payne Strategic Director for Place	
17	Please include the sign off codes from the relevant departments consulted:	Democratic Support (mandatory)	DSO105 14/15	
		Finance (mandatory)	Place F ESD1415 003/RB/23-03-2015	
		Legal (mandatory)	SC/22646	
		Human Resources		
		Assets		
		IT		
		Procurement		

Other Information

18	An Equalities Impact Assessment should be attached to the report	Yes	<input checked="" type="checkbox"/>	(Please attach the EIA to this report)
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Briefing report

19	Is the briefing report attached?	Yes	<input checked="" type="checkbox"/>	(No is not an option)
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	List (and include a hyper link to) <u>published</u> work/information used to prepare the report.								
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	Do you need to include any confidential/exempt information?	If yes, prepare a second, Part II, report and indicate why it is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 by ticking the relevant box. (Remember to keep as much information as possible in the briefing report that will be in the public domain)							
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		Exemption Paragraph Number						
		1	2	3	4	5	6	7
Confidential/exempt briefing report title								


Background Papers

20	Please list all background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based. A folder or a file should not be cited as a background paper, though individual items within the folder or file may be. If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.							
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Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Fleet Replacement Programme 2015-2017 full business case.	<input checked="" type="checkbox"/>								
EIA	<input checked="" type="checkbox"/>								

Cabinet Member Signature

21	I agree the decision and confirm that it is not contrary to the Council's policy and budget framework, Corporate Plan and Medium Term Financial Plan.							
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Signature		Date of decision	9 April 2015
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Print Name	Councillor Tudor Evans		
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